

Atlas of SMEs in Slovakia - mapping of SMEs in time and space

The SME sector is considered to be the most flexible, efficient, progressive, innovative and therefore the most important element of the economy in developed economies. For this reason, the countries of the European Union, as well as other developed countries of the world, pay maximum attention to the state of small and medium-sized enterprises and continuously take measures for their development. In the case of the Slovak Republic, the development of small and medium-sized enterprises is also defined as one of the priorities for the further economic development of the country.

The role of small and medium-sized enterprises in regional development is strongly influenced by and directly proportional to the level and stability of the overall business environment, which in Slovakia still does not correspond to the average values of the market environment of the European Union. Like other areas of social life in Slovakia, the business environment has undergone fundamental changes over the past 20 years. However, Slovakia's problem is the long-term absence of a systemic approach aimed at continuous improvement of conditions for entrepreneurship. After joining the EU, Slovakia has been dynamically approaching the economic level of the original EU members. Unfortunately, this process has slowed down considerably in recent years, or it can be said that catching up with the most advanced countries of Western Europe has stopped.

Since the end of the financial and economic crisis, small and medium-sized enterprises in Slovakia have benefited mainly from advancing globalisation, changes in economic policies and the rapid development of the world economy. Despite the adoption of a number of partial support measures with the intention of improving the business environment, small and medium-sized entrepreneurs in Slovakia themselves perceive a deterioration of business conditions in recent years. Decreasing competitiveness of Slovak SMEs is mainly caused by instability and ambiguity of laws, high tax and levy burden on business (it is about a quarter of the price of labour, which is the highest among the V4 countries), increasing administrative costs, lack of skilled labour and its price, or corruption. The situation is also complicated by a stagnant education system with no reflection on the current needs of the labour market.

The spatial distribution of SMEs in Slovakia is stable over time, with a high concentration in the west and north of Slovakia. From the point of view of entrepreneurial activity, the most important and attractive territory is the Bratislava Region, and the importance of this territory is constantly increasing. In 2019, approximately one in five active small and medium-sized enterprises registered in the Slovak Republic had their headquarters in this region. SMEs are mainly located in areas with a higher population, i.e. mainly in cities. The centre of entrepreneurial activity of SMEs is the capital city of Bratislava. Entrepreneurial activity increases most dynamically in the hinterland of Bratislava, but also in parts of the Trnava and Nitra Regions, respectively in the regions of Kysuce and Orava with a significant representation of natural persons - entrepreneurs. On the contrary, the districts in the south of central and eastern Slovakia are characterised by low entrepreneurial activity in the long term. In the most developed regions of Slovakia, an increasing share of SMEs is engaged in the services sector. These are mainly the urban districts of Bratislava and Košice. In less developed parts of Slovakia, SMEs are more often oriented towards industry, construction and trade. It is the trade sector that is experiencing the most dynamic decline in the sectoral structure of SMEs across the country.

At the same time, the dynamism of SMEs has been increasing over the past decade, which means that more and more business entities are being established and disappearing. Naturally, a higher number of new SMEs is observed in regions with higher entrepreneurial activity. Despite the general decline of natural persons - entrepreneurs, this legal form prevails among emerging SMEs. This is not the case only in some urban districts of Bratislava and Košice. Dissolutions are more frequent in areas with a high number of SMEs. However, in terms of the total number of SMEs, the southern districts of central and eastern Slovakia have the highest rate of dissolutions. On the positive side, all districts experienced an increasing net gain in 2018 – 2019. The net gain was mainly contributed by SMEs - legal entities. In particular, the number of SMEs operating in the construction sector increased.

In terms of the length of business, SMEs based in districts in the Považie region are among the most stable ones. However, the average length of entrepreneurship has increased over the past decade throughout Slovakia. Greater average length of entrepreneurship is characterized by natural persons - entrepreneurs, while the longest (on average 11 to 13 years) are natural persons - entrepreneurs in Western Slovakia, Považie, Košice and in the districts of Banská Bystrica, Zvolen, Martin or Poprad. SMEs in industry have been in business the longest, followed by construction and services, as a result of the high dynamism of SMEs in the services sector.

Female natural persons - entrepreneurs are more active especially in larger cities and in districts with a higher representation of the services sector, i.e. in the regions of western Slovakia and in the northern districts of central Slovakia. On the negative side, there has been an overall decline in the rate of entrepreneurial activity of female natural persons - entrepreneurs. With the overall ageing of the Slovak population, the average age of natural persons - entrepreneurs is also increasing. Entrepreneurs from Bratislava, Košice and Banská Bystrica have the highest average age. The lowest age is presented by natural persons - entrepreneurs from the youngest population regions of Slovakia, i.e. Kysuce, Orava and Zamagurie. Almost all over Slovakia, the average age of female natural persons - entrepreneurs is higher than that of males. Significant differences are especially in the southern districts of Central Slovakia and in the Zemplín region.

Similar spatial patterns of profitability can be observed for the financial indicators of SMEs, whether it is the share of SMEs with a positive economic result, the return on sales or the return on assets. Low profitability is characterised primarily by SMEs based in Bratislava and Košice. On the contrary, high profitability is achieved by SMEs in the regions of Považie, Gemer, Liptov or Šariš. SME indebtedness has developed positively over the past years. Total asset indebtedness declined in all districts of the Slovak Republic. Bank loans are mainly used by SMEs in the lagging regions of southern and eastern Slovakia, but their share increased in most districts between 2014 and 2018. In international comparisons, Slovakia lags behind in labour productivity. Among the most efficient SMEs in the long term are entities based in the Bratislava, Trnava, Nitra and Žilina Regions. The number of high-growth enterprises is gradually increasing as cities grow in size and importance. The capital city of Bratislava has a specific position, where approximately every fourth high-growth enterprise had its headquarters. In contrast, there is the second largest and most important city in Slovakia - Košice, where only 4.7 % of high-growth enterprises had their headquarters.

The regional structure of total exports of small and medium-sized enterprises at the level of regions of the Slovak Republic is characterised by considerable variability. The regions located in the western part of Slovakia continue to account for a significantly higher share

of total SME exports compared to the eastern part of Slovakia. Approximately one-third of total SME exports of known regional origin were made by SMEs in the Bratislava Region in 2018 – 2019.

The highest share of SMEs in high-tech sectors is in the cities of Bratislava and Košice. A positive sign of development is the growing share of high-tech SMEs in all districts, most significantly in Bratislava and Košice. The highest share of high-tech SMEs in the industrial production sector is in the districts of Bratislava and Košice, but also in the Žilina region, i.e. in areas with a rich history of industry and the existence of a number of technically oriented educational and research institutions. The space of Bratislava and its hinterland is even more important for high-tech SMEs in the services sector.